



# House of Representatives

General Assembly

**File No. 193**

February Session, 2018

Substitute House Bill No. 5368

*House of Representatives, April 4, 2018*

The Committee on General Law reported through REP. D'AGOSTINO of the 91st Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

## **AN ACT CONCERNING ALCOHOLIC LIQUOR MANUFACTURER PERMITS.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 30-16 of the 2018 supplement to the general  
2 statutes is repealed and the following is substituted in lieu thereof  
3 (*Effective from passage*):

4 (a) A manufacturer permit shall allow the manufacture of alcoholic  
5 liquor and the storage, bottling and wholesale distribution and sale of  
6 alcoholic liquor manufactured or bottled to permittees in this state and  
7 without the state as may be permitted by law; but no such permit shall  
8 be granted unless the place or the plan of the place of manufacture has  
9 received the approval of the Department of Consumer Protection. The  
10 holder of a manufacturer permit who produces less than twenty-five  
11 thousand gallons of alcoholic liquor in a calendar year may sell at  
12 retail from the premises sealed bottles or other sealed containers of  
13 alcoholic liquor manufactured on the premises for consumption off the  
14 premises, provided such holder shall not sell to any one consumer

15 more than one and one-half liters of alcoholic liquor per day nor more  
16 than five gallons of alcoholic liquor in any two-month period. Retail  
17 sales by a holder of a manufacturer permit shall occur only on the days  
18 and times permitted under subsection (d) of section 30-91. A holder of  
19 a manufacturer permit, alone or in combination with any parent or  
20 subsidiary business or related or affiliated party, who sells more than  
21 ten thousand gallons of alcoholic liquor in any calendar year may not  
22 sell alcoholic liquor at wholesale to retail permittees within this state.  
23 Such permit shall also authorize the offering and tasting, on the  
24 premises of the permittee, of free samples of spirits distilled on the  
25 premises. Such free samples may be offered individually or as  
26 ingredients in cocktails or mixed drinks prepared on the premises.  
27 Tastings shall not exceed [two] a total of three ounces of spirits per  
28 patron per day and shall not be allowed on such premises on Sunday  
29 before eleven o'clock a.m. and after eight o'clock p.m. and on any other  
30 day before ten o'clock a.m. and after eight o'clock p.m. No tastings  
31 shall be offered to or allowed to be consumed by any minor or  
32 intoxicated person. A holder of a manufacturer permit may apply for  
33 and shall receive an out-of-state shipper's permit for manufacturing  
34 plants and warehouse locations outside the state owned by such  
35 manufacturer or a subsidiary corporation thereof, at least eighty-five  
36 per cent of the voting stock of which is owned by such manufacturer,  
37 to bring into any of its plants or warehouses in the state alcoholic  
38 liquors for reprocessing, repackaging, reshipment or sale either (1)  
39 within the state to wholesaler permittees not owned or controlled by  
40 such manufacturer, or (2) outside the state. The annual fee for a  
41 manufacturer permit shall be one thousand eight hundred fifty dollars.

42 (b) A manufacturer permit for beer shall be in all respects the same  
43 as a manufacturer permit, except that the scope of operations of the  
44 holder shall be limited to beer, but shall permit the storage of beer in  
45 any part of the state. Such permit shall also authorize the offering and  
46 tasting, on the premises of the permittee, of free samples of beer  
47 brewed on such premises and the selling at retail from the premises of  
48 sealed bottles or other sealed containers of such beer for consumption  
49 off the premises. The offering and tasting may be limited to visitors

50 who have attended a tour of the premises of the permittee. Such selling  
51 at retail from the premises of sealed bottles or other sealed containers  
52 shall comply with the provisions of subsection (d) of section 30-91 and  
53 shall permit not more than [nine] eleven and one-half liters of beer to  
54 be sold to any person on any day on which such sale is authorized  
55 under the provisions of subsection (d) of section 30-91. The annual fee  
56 for a manufacturer permit for beer shall be one thousand dollars.

57 (c) A manufacturer permit for cider not exceeding six per cent  
58 alcohol by volume and apple wine not exceeding fifteen per cent  
59 alcohol by volume shall allow (1) the manufacture, storage, bottling  
60 and wholesale distribution and sale at retail of such cider and apple  
61 wine to permittees and nonpermittees in this state as may be permitted  
62 by law; but no such permit shall be issued unless the place or the plan  
63 of the place of manufacture has received the approval of the  
64 department; (2) the sale and shipment by the holder of such permit of  
65 such cider and such apple wine to persons outside the state and to  
66 consumers in this state in the same manner and subject to the same  
67 conditions as such sale and shipment is permitted for wine by a farm  
68 winery manufacturer permittee pursuant to subsection (e) of this  
69 section; and (3) the offering and tasting, on the premises of the  
70 permittee, of free samples of cider and apple wine manufactured on  
71 such premises. Tastings shall not exceed two ounces per patron and  
72 shall not be allowed on such premises on Sunday before eleven o'clock  
73 a.m. and after eight o'clock p.m. and on any other day before ten  
74 o'clock a.m. and after eight o'clock p.m. No tasting shall be offered to  
75 or allowed to be consumed by any minor or intoxicated person.  
76 Offerings and tastings may be limited to visitors who have attended a  
77 tour of the premises of the permittee. The annual fee for a  
78 manufacturer permit for cider shall be two hundred dollars.

79 (d) A manufacturer permit for apple brandy and eau-de-vie shall be  
80 in all respects the same as a manufacturer permit, except that the scope  
81 of operations of the holder shall be limited to apple brandy or eau-de-  
82 vie, or both. The annual fee for a manufacturer permit for apple  
83 brandy and eau-de-vie shall be four hundred dollars.

84 (e) (1) A manufacturer permit for a farm winery shall be in all  
85 respects the same as a manufacturer permit, except that the scope of  
86 operations of the holder shall be limited to wine and brandies distilled  
87 from grape products or other fruit products, including grappa and  
88 eau-de-vie. As used in this section, "farm winery" means any place or  
89 premises that is located on a farm in the state in which wine is  
90 manufactured and sold.

91 (2) Such permit shall, at the single principal premises of the farm  
92 winery, authorize (A) the sale in bulk by the holder thereof from the  
93 premises where the products are manufactured pursuant to such  
94 permit; (B) as to a manufacturer who produces one hundred thousand  
95 gallons of wine or less per year, the sale and shipment by the holder  
96 thereof to a retailer of wine manufactured by the farm winery  
97 permittee in the original sealed containers of not more than fifteen  
98 gallons per container; (C) the sale and shipment by the holder thereof  
99 of wine manufactured by the farm winery permittee to persons outside  
100 the state; (D) the offering and tasting of free samples of such wine or  
101 brandy, dispensed out of bottles or containers having capacities of not  
102 more than two gallons per bottle or container, to visitors and  
103 prospective retail customers for consumption on the premises of the  
104 farm winery permittee; (E) the sale at retail from the premises of sealed  
105 bottles or other sealed containers of such wine or brandy for  
106 consumption off the premises; (F) the sale at retail from the premises of  
107 wine or brandy by the glass and bottle to visitors on the premises of  
108 the farm winery permittee for consumption on the premises; and (G)  
109 subject to the provisions of subdivision (3) of this subsection, the sale  
110 and delivery or shipment of wine manufactured by the permittee  
111 directly to a consumer in this state. Notwithstanding the provisions of  
112 subparagraphs (D), (E) and (F) of this subdivision, a town may, by  
113 ordinance or zoning regulation, prohibit any such offering, tasting or  
114 selling at retail at premises within such town for which a manufacturer  
115 permit for a farm winery has been issued.

116 (3) A permittee, when selling and shipping wine directly to a  
117 consumer in this state, shall: (A) Ensure that the shipping labels on all

118 containers of wine shipped directly to a consumer in this state  
119 conspicuously state the following: "CONTAINS ALCOHOL—  
120 SIGNATURE OF A PERSON AGE 21 OR OLDER REQUIRED FOR  
121 DELIVERY"; (B) obtain the signature of a person age twenty-one or  
122 older at the address prior to delivery, after requiring the signer to  
123 demonstrate that he or she is age twenty-one or older by providing a  
124 valid motor vehicle operator's license or a valid identity card described  
125 in section 1-1h; (C) not ship more than five gallons of wine in any two-  
126 month period to any person in this state; (D) pay, to the Department of  
127 Revenue Services, all sales taxes and alcoholic beverage taxes due  
128 under chapters 219 and 220 on sales of wine to consumers in this state,  
129 and file, with said department, all sales tax returns and alcoholic  
130 beverage tax returns relating to such sales; (E) report to the  
131 Department of Consumer Protection a separate and complete record of  
132 all sales and shipments to consumers in the state, on a ledger sheet or  
133 similar form which readily presents a chronological account of such  
134 permittee's dealings with each such consumer; (F) not ship to any  
135 address in the state where the sale of alcoholic liquor is prohibited by  
136 local option pursuant to section 30-9; and (G) hold an in-state  
137 transporter's permit pursuant to section 30-19f or make any such  
138 shipment through the use of a person who holds such an in-state  
139 transporter's permit.

140 (4) No licensed farm winery may sell any such wine or brandy not  
141 manufactured by such winery, except a licensed farm winery may sell  
142 from the premises (A) wine manufactured by another farm winery  
143 located in this state, and (B) brandy manufactured from fruit harvested  
144 in this state and distilled off the premises in this state.

145 (5) The farm winery permittee shall grow on the premises of the  
146 farm winery or on property under the same ownership and control of  
147 said permittee or leased by the backer of a farm winery permit or by  
148 said permittee within the farm winery's principal state an average crop  
149 of fruit equal to not less than twenty-five per cent of the fruit used in  
150 the manufacture of the farm winery permittee's wine. An average crop  
151 shall be defined each year as the average yield of the farm winery

152 permittee's two largest annual crops out of the preceding five years,  
153 except that during the first seven years from the date of issuance of a  
154 farm winery permit, an average crop shall be defined as three tons of  
155 grapes for each acre of vineyard farmed by the farm winery permittee.  
156 Such seven-year period shall not begin anew if the property for which  
157 the farm winery permit is held is transferred or sold during such  
158 seven-year period. In the event the farm winery consists of more than  
159 one property, the aggregate acreage of the farm winery shall not be  
160 less than five acres.

161 (6) A holder of a manufacturer permit for a farm winery, when  
162 advertising or offering wine for direct shipment to a consumer in this  
163 state via the Internet or any other on-line computer network, shall  
164 clearly and conspicuously state such liquor permit number in its  
165 advertising.

166 (7) A holder of a manufacturer permit for a farm winery may sell  
167 and offer free tastings of wine manufactured from such winery at a  
168 farmers' market, as defined in section 22-6r, that is operated as a  
169 nonprofit enterprise or association, provided such farmers' market  
170 invites such holder to sell wine at such farmers' market and such  
171 holder has a farmers' market wine sales permit issued by the  
172 Commissioner of Consumer Protection in accordance with the  
173 provisions of subsection (a) of section 30-37o.

174 (8) The annual fee for a manufacturer permit for a farm winery shall  
175 be three hundred dollars.

176 (f) (1) A manufacturer permit for a farm brewery shall be in all  
177 respects the same as a manufacturer permit, except that the scope of  
178 operations of the holder shall be limited to the production of not more  
179 than seventy-five thousand gallons of beer in a calendar year. As used  
180 in this section, "farm brewery" means any place or premises that is  
181 located on a farm in the state in which beer is manufactured and sold.

182 (2) Such permit shall, at the single principal premises of the farm  
183 brewery, authorize (A) the sale of sealed bottles or other sealed

184 containers of beer brewed on such premises to the holder of a  
185 wholesaler permit issued pursuant to section 30-17; (B) the offering  
186 and tasting of free samples of beer manufactured by the farm brewery  
187 permittee, dispensed out of bottles or other sealed containers to  
188 visitors and prospective retail customers for consumption on the  
189 premises of the farm brewery permittee; (C) the sale at retail from the  
190 premises of not more than [nine] eleven and one-half liters of such beer  
191 to any person per day, in sealed bottles or other sealed containers, for  
192 consumption off the premises; and (D) the sale at retail from the  
193 premises of beer by the glass and bottle to visitors on the premises of  
194 the farm brewery permittee for consumption on the premises.  
195 Notwithstanding the provisions of subparagraphs (A) to (D), inclusive,  
196 of this subdivision, a town may, by ordinance or zoning regulation,  
197 prohibit any such offering, tasting or selling at retail at premises within  
198 such town for which a manufacturer permit for a farm brewery has  
199 been issued.

200 (3) The farm brewery permittee shall use not less than twenty-five  
201 per cent of a combination of hops, barley, cereal grains, honey, flowers  
202 or other fermentables grown or malted within the state of Connecticut  
203 in the manufacture of the farm brewery permittee's beer for the first  
204 year of issuance for any such permit and not less than fifty per cent of  
205 such hops, barley, cereal grains, honey, flowers or other fermentables  
206 in the manufacture of the farm brewery permittee's beer for the second  
207 and any subsequent year of issuance for any such permit. Any such  
208 beer may be advertised and sold by the farm brewery permittee as  
209 "Connecticut Craft Beer".

210 (4) A holder of a manufacturer permit for a farm brewery may sell  
211 beer manufactured from such brewery at a farmers' market, as defined  
212 in section 22-6r, that is operated as a nonprofit enterprise or  
213 association, provided such farmers' market invites such holder to sell  
214 beer at such farmers' market and such holder has a farmers' market  
215 beer sales permit issued by the Commissioner of Consumer Protection  
216 in accordance with the provisions of subsection (a) of section 30-37r.

217 (5) The annual fee for a manufacturer permit for a farm brewery  
218 shall be three hundred dollars.

219 (g) A manufacturer permit for a brew pub shall allow: (1) The  
220 manufacture, storage and bottling of beer, (2) the retail sale of alcoholic  
221 liquor to be consumed on the premises with or without the sale of  
222 food, (3) the selling at retail from the premises of sealed bottles or  
223 other sealed containers of beer brewed on such premises for  
224 consumption off the premises, and (4) the sale of sealed bottles or other  
225 sealed containers of beer brewed on such premises to the holder of a  
226 wholesaler permit issued pursuant to subsection (b) of section 30-17,  
227 provided that the holder of a manufacturer permit for a brew pub  
228 produces at least five thousand gallons of beer on the premises  
229 annually. Such selling at retail from the premises of sealed bottles or  
230 other sealed containers shall comply with the provisions of subsection  
231 (d) of section 30-91 and shall permit not more than [nine] eleven and  
232 one-half liters of beer to be sold to any person on any day on which  
233 such sale is authorized under the provisions of subsection (d) of  
234 section 30-91. The annual fee for a manufacturer permit for a brew pub  
235 shall be three hundred dollars.

236 (h) A manufacturer permit for beer and brew pub shall be in all  
237 respects the same as a manufacturer permit for beer, as defined in  
238 subsection (b) of this section, and shall allow those additional  
239 permissible uses specified in the manufacturer permit for a brew pub,  
240 as defined in subsection (g) of this section, provided the holder of a  
241 manufacturer permit for beer and brew pub produces at least five  
242 thousand gallons of beer on the premises annually. The annual fee for  
243 a manufacturer permit for beer and brew pub shall be one thousand  
244 five hundred dollars.

245 (i) (1) A manufacturer permit for a farm distillery shall be in all  
246 respects the same as a manufacturer permit, except that the scope of  
247 operations of the holder shall be limited to the production of not more  
248 than ten thousand gallons per calendar year of distilled alcohol or  
249 spirits including, but not limited to, whiskey, gin, vodka and rum. As



250 used in this section, "farm distillery" means any place or premises that  
251 is located on a farm in the state in which distilled spirits or alcohol are  
252 manufactured and sold.

253 (2) Such permit shall, at the single principal premises of the farm  
254 distillery, authorize (A) the sale in bulk by the holder thereof from the  
255 premises where the products are manufactured pursuant to such  
256 permit; (B) the sale and shipment by the holder thereof to a retailer of  
257 distilled alcohol or spirits manufactured by the farm distillery  
258 permittee in the original sealed containers of not more than fifteen  
259 gallons per container; (C) the offering and tasting of free samples of  
260 such distilled alcohol or spirits, in amounts not to exceed [two] a total  
261 of three ounces per day per person of such distilled alcohol or spirits,  
262 which samples may be offered individually or as ingredients in  
263 cocktails or mixed drinks prepared on the premises, to visitors and  
264 prospective retail customers for consumption on the premises of the  
265 farm distillery permittee; and (D) the sale at retail from the premises of  
266 sealed bottles or other sealed containers, in amounts not to exceed four  
267 and one-half liters per customer per day, of such distilled alcohol or  
268 spirits for consumption off the premises. Notwithstanding the  
269 provisions of subparagraphs (C) and (D) of this subdivision, a town  
270 may, by ordinance or zoning regulation, prohibit any such offering,  
271 tasting or selling at retail at premises within such town for which a  
272 manufacturer permit for a farm distillery has been issued.

273 (3) No licensed farm distillery may sell any such distilled alcohol or  
274 spirits not manufactured by such distillery.

275 (4) The farm distillery permittee shall grow on the premises of the  
276 farm distillery or on property under the same ownership and control  
277 of said permittee or leased by the backer of a farm distillery permit or  
278 by said permittee within the farm distillery's principal state an average  
279 crop of fruit or crops equal to not less than twenty-five per cent of the  
280 fruit or crops used in the manufacture of the farm distillery permittee's  
281 distilled alcohol or spirits. An average crop shall be defined each year  
282 as the average yield of the farm distillery permittee's two largest

283 annual crops out of the preceding five years. In the event the farm  
284 distillery consists of more than one property, the aggregate acreage of  
285 the farm distillery shall not be less than five acres.

286 (5) The annual fee for a manufacturer permit for a farm distillery  
287 shall be three hundred dollars.

288 Sec. 2. Section 12-435 of the general statutes is repealed and the  
289 following is substituted in lieu thereof (*Effective January 1, 2019*):

290 Each distributor of alcoholic beverages shall pay a tax to the state on  
291 all sales within the state of alcoholic beverages, except sales to licensed  
292 distributors [.] and sales of alcoholic beverages which, in the course of  
293 such sales, are actually transported to some point without the state,  
294 [and except malt beverages which are consumed on the premises  
295 covered by a manufacturer's permit,] at the rates for the respective  
296 categories of alcoholic beverages listed below:

297 (a) Beer, seven dollars and twenty cents for each barrel, three dollars  
298 and sixty cents for each half barrel, one dollar and eighty cents for each  
299 quarter barrel and twenty-four cents per wine gallon or fraction  
300 thereof on quantities less than a quarter barrel;

301 (b) Liquor, five dollars and forty cents per wine gallon;

302 (c) Still wines containing not more than twenty-one per cent of  
303 absolute alcohol, except as provided in subsections (g) and (h) of this  
304 section, seventy-two cents per wine gallon;

305 (d) Still wines containing more than twenty-one per cent of absolute  
306 alcohol and sparkling wines, one dollar and eighty cents per wine  
307 gallon;

308 (e) Alcohol in excess of 100 proof, five dollars and forty cents per  
309 proof gallon;

310 (f) Liquor coolers containing not more than seven per cent of alcohol  
311 by volume, two dollars and forty-six cents per wine gallon;

312 (g) Still wine containing not more than twenty-one per cent of  
313 absolute alcohol, produced by a person who produces not more than  
314 fifty-five thousand wine gallons of wine during the calendar year,  
315 eighteen cents per wine gallon, provided such person presents to each  
316 distributor of alcoholic beverages described in this section a certificate,  
317 issued by the commissioner, stating that such person produces not  
318 more than fifty-five thousand wine gallons of wine during the calendar  
319 year. The commissioner is authorized to issue such certificates,  
320 prescribe the procedures for obtaining such certificates and prescribe  
321 their form; and

322 (h) Cider containing not more than seven per cent of absolute  
323 alcohol shall be subject to the same rate as applies to beer, as provided  
324 in subsection (a) of this section.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	30-16
Sec. 2	<i>January 1, 2019</i>	12-435

**GL**      *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

## **OFA Fiscal Note**

### **State Impact:**

Agency Affected	Fund-Effect	FY 18 \$	FY 19 \$	FY 20 \$
Department of Revenue Services	Various - Potential Revenue Gain	Minimal	Less than 25,000	Less than \$25,000
Department of Revenue Services	GF - Revenue Gain	None	Less than 25,000	Less than \$50,000

Note: GF=General Fund; Various=Various

### **Municipal Impact:** None

### **Explanation**

The bill results in the following impacts listed below.

**Section 1** results in a potential sales tax<sup>1</sup> revenue gain of less than \$25,000 annually by increasing the allowable amount of beer that may be sold by beer manufacturers. There may also be a potential minimal revenue gain in FY 18 dependent upon the date of passage.

**Section 2**, which eliminates an alcoholic beverages tax exemption for certain beer sales, is estimated to result in a revenue gain of less than \$25,000 in FY 19 (partial year) and less than \$50,000 annually thereafter. It is anticipated that this provision would impact between 50 and 60 beer manufacturers currently paying approximately \$250,000 annually in Alcoholic Beverage Tax on taxable beer sales.

### **The Out Years**

<sup>1</sup>Current law requires a diversion of a portion of the sales tax generated into (1) the Special Transportation Fund and (2) the Municipal Revenue Sharing Account beginning in FY 20. The general sales and use tax rate, from which the diversion occurs, remains at 6.35%.

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

*Source: Department of Revenue Services*

**OLR Bill Analysis****sHB 5368*****AN ACT CONCERNING ALCOHOLIC LIQUOR MANUFACTURER PERMITS.*****SUMMARY**

This bill (1) increases the amounts of beer and spirits certain manufacturer permittees may serve or sell and (2) requires manufacturer permittees to pay the alcoholic beverages tax (i.e., excise tax) on malt beverages (e.g., beer) they sell for on-premises consumption, by eliminating the tax exemption allowed under current law. By law, the rate for beer is \$7.20 per barrel (31 gallons) and \$0.24 per "wine gallon" (i.e., 128 fluid ounces) or fraction under  $\frac{1}{4}$  barrel.

EFFECTIVE DATE: Upon passage, except the tax provision is effective January 1, 2019

**BEER MANUFACTURERS**

The bill increases, from nine to 11.5 liters, the amount all the various beer manufacturer permittees may sell per customer per day for off-premises consumption. This includes the permittees for beer, brew pub, beer and brew pub, and farm brewery.

By law, the beer may only be sold during the same hours as other retailers that sell for off-premises consumption (e.g., package and grocery stores), which are on Monday through Saturday, from 8:00 a.m. to 10:00 p.m., and Sundays, from 10:00 a.m. to 6:00 p.m. Permittees cannot sell or dispense alcohol on Thanksgiving Day, New Year's Day, or Christmas Day (CGS § 30-91(d)).

**DISTILLERY SAMPLES**

The bill also increases, from two to three ounces, the amount of free distilled alcohol or spirit samples a manufacturer permittee or farm

distillery permittee may allow a patron to taste per day for on-premises consumption. It also specifically allows these permittees to offer the liquor as part of a cocktail or mixed drink.

By law, a manufacturer permittee may only allow such tastings on Monday through Saturday, from 10:00 a.m. to 8:00 p.m. and on Sundays, from 11:00 a.m. to 8:00 p.m.

### **ALCOHOLIC BEVERAGES TAX**

The bill requires manufacturer permittees for brew pub, beer and brew pub, and farm breweries to pay the alcoholic beverages tax on malt beverages (e.g., beer) they sell for on-premises consumption. By law, these are the only manufacturer permittees allowed to sell beer for on-premises consumption.

By law, the alcoholic beverages tax is generally levied on distributors (i.e., wholesaler or manufacturer permittees) before they sell their product to retailers (e.g., package store or grocery store) or consumers. The distributors must report to the Department of Revenue Services each month on the total number of gallons of each alcoholic beverage sold during the month, their opening and closing inventories, and the amount of tax due.

### **COMMITTEE ACTION**

General Law Committee

Joint Favorable Substitute

Yea 15 Nay 2 (03/20/2018)